

Message Text

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ACTION IO-13

INFO OCT-01 EUR-12 EA-07 NEA-10 ISO-00 IOE-00 SAJ-01 SP-02

USIA-06 AID-05 EB-07 NSC-05 CIEP-01 TRSE-00 SS-15

STR-04 OMB-01 CEA-01 COME-00 IGA-02 FS-01 ABF-01

FRB-03 AGR-05 L-03 CIAE-00 INR-07 NSAE-00 PRS-01 PA-01

AF-08 ARA-06 /129 W

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P R 311305Z AUG 76

FM AMEMBASSY MOSCOW

TO SECSTATE WASHDC PRIORITY 8170

INFO AMEMBASSY ALGIERS

AMEMBASSY BELGRADE

AMEMBASSY BERLIN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY BUDAPEST

AMEMBASSY COPENHAGEN

USMISSION GENEVA

AMEMBASSY LONDON

AMEMBASSY OSLO

AMEMBASSY OTTAWA

AMEMBASSY PARIS

USLO PEKING

AMEMBASSY SOFIA

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

AMEMBASSY THE HAGUE

AMEMBASSY WARSAW

AMEMBASSY WELLINGTON

C O N F I D E N T I A L MOSCOW 13720

E.O. 11652: GDS

TAGS: UNDP, EAID, UR

SUBJECT: UNDP - U.S. PROPOSAL FOR PURCHASE OF CURRENCIES

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REF: A) MOSCOW 11617, B) STATE 184958, C) MOSCOW 12113

1. ON AUGUST 31, SOVIET FOREIGN MINISTRY OFFICIAL (KOVALEV, COUNSELOR IN INTERNATIONAL ECONOMIC ORGANIZATIONS SECTION) CALLED IN E/

C COUNSELOR TO RECEIVE SOVIET RESPONSE TO U.S. PROPOSALS FOR SOLVING UNDP LIQUIDITY CRISIS. REFERRING TO U.S. APPROACH ON JULY 21 (REFTEL), KOVALEV STATED THAT HE HAD BEEN INSTRUCTED TO INFORM US THAT THE SOVIET GOVERNMENT VIEWED THE "EMBASSY PROPOSAL" AS UNACCEPTABLE BECAUSE SOVIET CONTRIBUTIONS TO THE UNDP ARE SPECIFICALLY AUTHORIZED ONLY FOR RENDERING TECHNICAL ASSISTANCE TO DEVELOPING COUNTRIES. KOVALEV INDICATED THAT THIS WAS THE SUM OF THE SOVIET RESPONSE.

2. E/C COUNSELOR EXPRESSED REGRET AT RECEIVING THIS UNFAVORABLE REPLY. HE NOTED THAT OURS WAS NOT AN "EMBASSY" PROPOSAL BUT RATHER A GENERAL USG APPROACH WHICH WAS ALSO DIRECTED TO A NUMBER OF OTHER STATES AND WAS IN NO WAY MEANT TO DISCRIMINATE AGAINST THE USSR. HE ADDED THAT THE US PROPOSAL APPEARED IN NO WAY TO CONFLICT WITH SOVIET LAW. AS FOR RENDERING ASSISTANCE TO LDS'S, SOVIET AID WOULD BE MUCH MORE USEFUL TO THEM IN FORM OF GOODS AND SERVICES THAN MERELY IN ACCOUNT WHICH WAS NOT BEING USED. HE EXPRESSED HOPE THAT ALTHOUGH CURRENT SOVIET GOVT POSITION IS NEGATIVE TO OUR PROPOSAL, IT WILL KEEP THE ISSUE UNDER CONSIDERATION.

3. KOVALEV ASKED IF E/ C COUNSELOR UNDERSTOOD THAT THIS WAS OFFICIAL SOVIET RESPONSE. ON RECEIVING THIS ASSURANCE, HE ADDED THAT SOVIETS ARE AWARE OUR PROPOSAL WAS NOT THAT OF EMBASSY ALONE. NOR WAS IT NEW. IT HAD BEEN RAISED AT THE UNDP GOVERNING COUNCIL SESSION IN JULY, WHERE SOVIET AND "OTHER" DELEGATIONS OPPOSED IT FROM VERY OUTSET.

4. COMMENT: KOVALEV STATEMENT MAKES CLEAR THAT THERE IS NO GIVE IN THE PRESENT SOVIET POSITION ON THIS ISSUE, PARTICULARLY IN LIGHT OF USSR'S OWN HARD CURRENCY SHORTAGE. IT IS SOMEWHAT INTERESTING THAT HE DID NOT SEEK TO REBUT E/C COUNSELOR'S STATEMENT THAT PROPOSAL DID NOT CONFLICT WITH SOVIET LAW.

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